

VZCZCXRO9605
RR RUEHLMC
DE RUEHLM #0491/01 1421150
ZNR UUUUU ZZH
R 211150Z MAY 08
FM AMEMBASSY COLOMBO
TO RUEHC/SECSTATE WASHDC 8151
INFO RUCPDOC/USDOC WASHDC
RUEHNE/AMEMBASSY NEW DELHI 2042
RUEHKA/AMEMBASSY DHAKA 0901
RUEHL/AMEMBASSY ISLAMABAD 7892
RUEHKT/AMEMBASSY KATHMANDU 6069
RUEHGP/AMEMBASSY SINGAPORE 5732
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RUEHLMC/MILLENNIUM CHALLENGE CORP WASHINGTON DC

UNCLAS SECTION 01 OF 03 COLOMBO 000491

SENSITIVE

SIPDIS

DOL/ILAB FOR TINA MCCARTER
STATE FOR SCA/INS SCA/RA, DRL/ILCSR, AND G/TIP

E.O 12958: N/A
TAGS: ELAB EFIN KWMN KCRM PGOV PHUM SOCI SMIG CE
SUBJECT: SRI LANKA REMITTANCES UP AGAIN IN 2007

¶1. (SBU) Summary: Sri Lankan migrant worker remittances rose 15% to \$2.5 billion in 2007. Remittances are the second largest source of foreign exchange earnings to the country, after garment exports. Each year, over 200,000 Sri Lankans -- about one percent of the population -- leave to work abroad. Women accounted for 53% of the 2007 migrant labor flow, with housemaids the largest occupational category. The government seeks to send more skilled male workers instead of female domestic workers, as stories of abuse of housemaids offend national pride. But it will have a hard time meeting the president's goal of discontinuing sending housemaids abroad, both because of the country's dependence on remittances to shore up its balance of payments, and because of the basic supply and demand composition of the Sri Lankan and Middle Eastern labor markets. End Summary.

Strong Remittances Continue

¶2. (SBU) According to the Central Bank, Sri Lanka's official remittances increased by 15%, from \$2.3 to \$2.5 billion, in 2007, continuing a strong growth trend since 2004. The actual value of remittances is likely 30-50% greater than the amount through formal channels that is recorded in the balance of payments records, according to informed observers. Formal channel remittances are the second largest source of foreign income to Sri Lanka, after garments, which generated \$3.3 billion in 2007; and ahead of tea, which drew in \$1.0 billion. Remittances thus play a significant role in offsetting Sri Lanka's chronic trade deficit.

¶3. (U) According to Central Bank data, an estimated 1.6 million Sri Lankan nationals -- equal to about 8% of the population -- are working abroad. The number of both skilled and unskilled workers leaving for overseas employment has increased. Total new placements were 217,000 in 2007 compared with 202,000 in 2006. Women still outnumber men, but their share is decreasing. In 2007, women constituted 53% of workers heading abroad for employment, down from

67% in 2000. Housemaids constitute about 47% of annual placements. However, housemaid recruitment has slowed in recent years. According to the Central Bank, a key reason was the availability of employment opportunities in Sri Lanka and inadequate wages in Saudi Arabia and Oman. Placements in 2007, by share of labor category, were as follows:

Housemaids	- 47%
Unskilled labor	- 24%
Skilled labor	- 23%
Others	- 6%

Middle East Remains Top Destination

¶4. (U) The Middle East continues to provide about 90% of employment opportunities for Sri Lankan migrant workers, with Saudi Arabia, Kuwait, the UAE, and Qatar attracting the majority of workers. Sri Lankan officials frequently talk of increased and better paying job opportunities in countries such as South Korea, Malaysia, Singapore and Japan, but those countries still absorb relatively few Sri Lankan workers.

¶5. (U) On April 1, the government instituted -- via the Bureau of Foreign Employment (SLBFE), which is responsible for promoting foreign employment -- minimum wages for unskilled laborers bound for the Middle East. The minimum wages are based on the per capita income of the labor-receiving country. Monthly wages range between \$150 (Egypt and Maldives) to \$250 (Qatar). Cyprus is an exception, with the minimum set at \$375 per month.

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¶6. (SBU) Suraj Dandeniya, President of the Association of Licensed Foreign Employment Agencies (ALFEA), told EconFSN the minimum wages are difficult to implement. Although the employment contracts specify the minimum wage, in practice many employers do not pay the agreed wage. Currently, prevailing wages for housemaids in most countries average only \$125 per month. Dandeniya faulted the government for setting minimum wages without consulting the governments and employment agencies in labor-receiving countries. Mrs. KMKP Herath, also of the SLBFE, acknowledging these concerns, said the government is now taking measures to ensure the enforceability of the minimum wage rates by signing bilateral agreements with labor receiving countries. In January 2008, the governments of Sri Lanka and Saudi Arabia agreed to a minimum monthly wage of \$173 for Sri Lankan housemaids working in the kingdom.

Government Looking to Skilled Workers

¶7. (U) President Rajapaska earlier this year called for Sri Lanka to cease sending unskilled domestic workers overseas by the end of 2008. According to many, the policy change is a reaction to frequent reports of mistreatment of Sri Lankan housemaids abroad. There are also concerns regarding the neglect of children and families due to wives and mothers leaving home. The government now actively encourages the migration of males and skilled workers, and discourages the migration of primarily female domestic workers. Mrs. Nanayakkara, Secretary to the Ministry of Foreign Employment Promotion and Welfare, told EconFSN that the Ministry has a two year plan to implement the decision. The ban, when in operation, will only affect new employment contracts; current contracts will not be cancelled.

¶8. (SBU) Kumudini Samuel, an NGO representative working with local migrant workers, considers the policy to curb housemaid recruitment short-sighted. She notes that these jobs opportunities are utilized by women from low income families who have limited skills and education. Their options for employment within Sri Lanka are also limited. ALFEA chief Dandeniya agreed, noting that Sri Lanka does not have a large skilled work force to replace the unskilled migrant workers. ALFEA is trying to do its part to correct weaknesses in

the system. In mid-April, for the first time, a thirty-member delegation traveled to Kuwait to meet with the Sri Lanka Manpower Agents Association of Kuwait to discuss employment opportunities and working conditions.

¶9. (U) The Foreign Employment Promotion and Welfare Ministry plans to increase the migration of skilled workers by offering training programs which will enable female workers to be employed as nannies, housekeepers, caregivers and nurses, instead of simply as housemaids. In addition, the government has launched training programs in the hospitality sector and an apprenticeship program in the construction sector leading to an internationally accepted certification. Since these workers -- male and female -- will be skilled and trained, the government hopes that there will be a drop in exploitation, as well as an increase in overall remittances.

Hundreds of Nurses to the U.S.? Not Quite

¶10. (SBU) Local media are uncritically reporting government promises to secure higher paying jobs for skilled workers. For example, the Minister of Health has repeatedly stated that the government plans to send 500 nurses annually to the United States. When embassy officials met with Ministry of Health officials, they

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conceded that the minister's statements bore no relation to actual plans. They told Econ and ConOffs that in fact they had only six nurses currently being trained to work abroad, possibly in the United States. Post has since coordinated with the ministry and with two private health care recruitment and training firms to ensure they are aware of U.S. visa requirements for nurses. Exaggerated press reports aside, the government is implementing new programs and facilitating language and technical training that will ultimately make nurses more qualified for work abroad.

Comment: Hard to Change Dependence on Remittances

¶11. (SBU) The government's plan to train and send out more skilled workers makes sense in the near term. Due to the limited capacity of its university system, Sri Lanka has a large pool of educated youth who could be trained for skilled employment abroad. (Each year, of about 120,000 students who qualify for university education, only about 18,000 are admitted.) Until it has more training programs in place, however, the government will have to balance its desire to reduce the number of women it sends abroad as housemaids against the country's dependence on remittances to shore up its balance of payments. (The USD \$2.5 billion received in 2007, combined with government borrowing, more than offset Sri Lanka's \$3.5 billion trade deficit.)

¶12. (SBU) Under these circumstances, the President's call to cease sending housemaids abroad, which was not supported by national legislation, is unlikely to overcome the basic supply and demand facts of the Sri Lankan and Middle East labor markets. Over the longer term, Sri Lanka could change this equation by pursuing more private sector growth, which would create more domestic job opportunities for both skilled and unskilled workers. The country would benefit more from having its people contribute directly to growth and development than it does now from their remittances, which constitute only a fraction of the salaries they earn and the growth they generate abroad.

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